

Message Text

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12

ACTION ABF-01

INFO OCT-01 EA-10 ISO-00 FSE-00 OPR-02 A-01 TRSE-00

CIAE-00 INR-07 NSAE-00 PA-02 PRS-01 USIA-15 /040 W

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P 070105Z APR 75

FM AMEMBASSY SUVA

TO SECSTATE WASHDC PRIORITY 3869

INFO AMEMBASSY BANGKOK PRIORITY

AMEMBASSY WELLINGTON PRIORITY

UNCLAS SUVA 359

BANGKOK FOR FADPC

E.O. 11652: N/A

TAGS: EFIN FJ

SUBJ: FIJI CUTS TIE TO US DOLLAR, REVALUES

1. FINANCE MINISTER STINSON ANNOUNCED APRIL 5 THAT EFFECTIVE APRIL 7 THE FIJI DOLLAR WILL NO RPT NO LONGER BE TIED TO THE US DOLLAR. INSTEAD, IT WILL FLOAT AGAINST THE WEIGHTED AVERAGE OF QTE SEVERAL UNQTE MAJOR TRADING PARTNERS (PROBABLY FIJI'S FIVE MAJOR TRADING PARTNERS, AUSTRALIA, NEW ZEALAND, US, UK AND JAPAN). US DOLLAR WILL CONTINUE TO BE FIJI'S INTERVENTION CURRENCY, HOWEVER.

2. MID-POINT HAS BEEN SET AT FIJI DOL ONE EQUALS US DOLS 1.2774, AS COMPARED WITH PREVIOUS MID-POINT OF FIJI DOL ONE EQUALS US DOLS 1.25, THUS A REVALUATION OF 2.2 PERCENT. RATE OF EXCHANGE WILL BE SET DAILY BY CENTRAL MONETARY AUTHORITY.

3. EMBASSY TRANSACTIONS WILL BE AFFECTED, OF COURSE. WHERE WE HAVE BEEN USING FIXED RATE OF FIJI DOL ONE EQUALS US DOLS 1.2669, NEW RATE WILL BE CLOSER TO FIJI DOL ONE EQUALS US DOLS 1.29.

4. PRESS RELEASE ANNOUNCING CHANGE POINTS OUT THAT WHEN FIJI DOLLAR TIED TO US DOLLAR, IN SEPTEMBER 1974, LATTER WAS QTE UNCLASSIFIED

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STEADY IN FOREIGN EXCHANGE MARKETS AND A MEASURE OF STABILITY

WAS EXPECTED TO CONTINUE IN EXCHANGE TRANSACTIONS WITH FIJI'S
PRINCIPAL TRADING PARTNERS. RECENTLY US DOLLAR TURNED VOLATILE
AND IN RELATION TO OTHER MAJOR CURRENCIES WEAKENED SHARPLY
WITH RESULT THAT FIJI DOLLAR HAS DEPRECIATED IN EFFECTIVE
VALUE BY ABOUT FOUR PERCENT. INSTABILITY OF FIJI DOLLAR HAS
CREATED UNCERTAINTY WITHIN BOTH IMPORT AND EXPORT SECTORS.
THIS IS ECONOMICALLY AND FINANCIALLY HARMFUL FOR THE COUNTRY.
THUS THE DECISION TO SEVER THE LINK AND INSTITUTE A CONTROLLED
FLOAT IN RELATION TO A BASKET OF CURRENCIES APPROPRIATE TO
FIJI'S TRADE PATTERN. UNQTE.
HALL

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